

URL: <https://stvp.stanford.edu/clips/formulas-for-fundraising-and-valuation>

Entrepreneur Minnie Ingersoll shares advice from others that helped her figure out who to seek startup money from, how much to ask venture capitalists for, and how to determine the value of her company. She says the rules of thumb were practical for someone whose understanding of business was limited to what she learned from being at a big company, and earning an MBA before that.



Transcript

So we started just with us as co-founders.. And then we were already invested, but we were still trying to raise more money, raise seed funding.. And someone said, OK, you might think that you want to go find rich people that you know in your network and ask them for money.. But actually, one piece of advice we got was go look for people who've written similar checks.. So if you go to CrunchBase InSites or one of these sites that tells you about people who've written similar checks, and you're going to start an online marketplace, look for people in San Francisco, in Silicon Valley, who've written checks for 50K, 100K, to fund online marketplaces.. And that person is likely to be the sort of person who's going to want to write you a 50K, 100K check for your online marketplace.. Now the same person who gave us this piece of advice also gave us advice on raising from Sand Hill Road.. So I don't know if this is completely true, but this is what I was told.. Now I have been at Google, so I really didn't know anything about raising money from Sand Hill Road.. But what we were told, was take the fun-size and divide by 50, and then ask for that much money..

And that was the math.. And so they said, look, the partners don't want to be on tons of boards, so they want to fund 25 to 30 companies from their fund.. They want to fund 25-20, but they want to have some money.. So they want to give enough money so they have some in reserve just in case.. And then, once you've asked for that much money, then multiply by five and that's your valuation.. So I'm not saying this is perfect advice, but this is what we were told...